IRS e-file

Partnership Resource Guide

Here you will find an overview of all the products and services offered by *e-file*.

Just click the tabs at the left of each page or simply scroll to the next page for more. To begin, **Click Here.**

Introduction

This IRS Electronic Tax Filing Resource Guide is designed to inform *e-file* audiences about new information and options available for tax preparation, safe and secure payment and fast refunds. Included are articles and marketing and outreach tools that are intended to help all taxpayers and those who support them to file taxes electronically.

To use the resources, choose the audience that reflects your *e-file* information and resource needs. After making your selection from the audience tabs on the left, all relevant *e-file* information and resources will be provided for you. Resources are featured for the following audiences:

➜ Taxpayers

➜ Tax Professionals

➜ Small Businesses

➜ State Tax Administrators

Feel free to use these ready-to-place articles, print ads, PSAs and payroll stuffers in ways that will increase the use of *e-file* and Free File. More than ever, taxpayers are taking advantage of the many benefits of filing electronically. Together, we can extend those benefits to all taxpayers and those who support them through the use of electronic tools that are paperless, easy, safe and secure.

Electronic Tax Administration

Internal Revenue Service

Fact Sheets and FAQs

e-file Frequently Asked Questions

What is *e-file*?

e-file is a way for taxpayers and tax professionals to file federal and most state tax returns electronically through licensed tax software programs or online. Software programs are available online and for purchase in stores. Tax preparers use software to electronically prepare federal and state income taxes. To e-file, taxpayers or preparers enter tax information into the tax software program. The software checks for completeness and math errors then transmits the return electronically to the IRS via modem, broadband or Internet connection.

Electronically preparing and filing your taxes can be free, if you go to **IRS.gov** and select Free File. Free File is available to everyone and offers two completely free options to electronically prepare and file your tax return. Free File allows income-eligible taxpayers to electronically prepare and file their tax returns using online software offered by one of several approved software companies. Taxpayers must go to **IRS.gov** to use Free File. Free File is a partnership with the Internal Revenue Service (IRS) and a group of industry-leading tax preparation companies called the Free File Alliance, LLC. Another option is Free File Fillable Forms. Any taxpayer can complete their tax return using a fillable electronic tax form on **IRS.gov**. Taxpayers complete the form, an electronic version of the paper form, by entering the numbers they would write on their paper form. The electronic form calculates the math. When complete, taxpayers simply press the send button and the form will be sent electronically to the correct part of the IRS.

Is there a charge to *e-file*?

Most tax software companies have waived the fee for electronically filing. Taxpayers should check with their software provider about fees.

What are the benefits of using *e-file*?

e-file is growing in popularity each year with 94 million tax returns submitted electronically in 2009. It offers so many more benefits than filing with a paper return:

- Greater accuracy. The error rate is less than 1%, reducing the possibility that taxpayers will receive an error letter from the IRS.

- Faster refund—in as little as 10 days with Direct Deposit.

- File Now. Pay Later. Taxpayers can electronically file their returns and pay by **April 15th**.

- Allows federal and state returns (for most states) to be filed at the same time.

- Email acknowledgement typically within 24 hours of submission of receipt of tax return.

- Saves paper. *e-file* saves a lot of paper. In the past ten years, the IRS has steadily decreased the number of tax packages mailed each year by over 36 million due to *e-file*—and that benefits all of us.

- Safe and secure. With multiple state-of-the-art security systems in place, your privacy is protected.

- Easy to use.

Do taxpayers receive the same benefits if they use tax preparation software then print and mail the return to the IRS?

No. Forms that are electronically prepared, but then printed and mailed, are treated the same as forms prepared by hand. The IRS must re-key the information, which can result in transcription errors. (Paper returns have about a 20% error rate compared to 1% for *e-file* refund time.) Also, it takes weeks longer for the IRS to contact paper filers about errors or provide a tax refund.

Fact Sheets and FAQs

Do taxpayers need to submit forms W-2, W-2G, W-2GU and form 1099-R to the IRS?

No. The requirement to attach Forms W-2, W-2G, W-2GU and Form 1099-R has been eliminated for electronically filed returns. However, taxpayers should keep records of these attachments with a copy of their tax return.

How do taxpayers sign their return if they use *e-file*?

Taxpayers will no longer be allowed to submit a paper form to sign their electronically filed return. Taxpayers simply use an electronic signature by creating an electronic personal identification number (PIN). Simple step-by-step instructions are provided to set up a PIN. To guard the safety and security of the return, taxpayers must verify their PIN by providing the previous year's Adjusted Gross Income (AGI) or a PIN used to sign last year's return.

Why are returns more accurate when they are e-filed?

There are several reasons:

- As part of the transmission process, e-filed returns are automatically checked for common errors. This is in addition to software checks. If there is an error or missing information, the IRS will send back the return and allow the taxpayer or tax professional to make the changes and resubmit the form.

- Data can be saved from year to year, dramatically reducing the chance of transcription errors.

- Data goes into the IRS system exactly as it was submitted. No re-keying of information is necessary..

Is there a greater chance that *e-file* returns will be audited?

No. There is no greater chance of being audited if taxpayers e-file.

Why do refunds come more quickly with *e-file*?

Because data goes directly into the system, it speeds up the processing time for each tax return. And if taxpayers choose to have their refunds deposited directly into their bank account, refunds arrive in as little as 10 days.

How can taxpayers pay electronically if they owe?

If there is a balance due on the tax return, taxpayers can still e-file and then schedule a payment for the tax due date. Payments can be made via automated withdrawal from a checking account, by credit card. Some taxpayers may choose to use the Treasury's free Electronic Federal Tax Payment System (EFTPS) to make the balance due payment and any subsequent estimated tax payments electronically (by phone or online).

Which tax professionals can e-file taxes on behalf of clients?

Tens of thousands of tax professionals nationwide are "Authorized *e-file* Providers." Taxpayers can check with their tax professional or visit **IRS.gov** to find one in their area.

For more frequently asked questions on *e-file* for tax professionals, please **click here** to view IRS Publication 3452, *e-file* Questions and Answers for Tax Professionals.

Fact Sheets and FAQs

Free File Frequently Asked Questions

What is Free File?

There is a Free File option for everyone. Free File allows taxpayers to electronically prepare and file federal income tax returns for free. Free File was developed through a partnership between the Internal Revenue Service (IRS) and the Free File Alliance, LLC, a group of industry-leading tax preparation companies. Free File offers two options. Free File allows income-eligible taxpayers to electronically prepare and file their tax returns using online software provided by the Free File Alliance. Taxpayers also have the option of using Free File Fillable Forms, electronic tax forms available at **IRS.gov**, without any income qualification. Free File Fillable Forms are identical to paper forms and can be completed on **IRS.gov** and submitted directly to the IRS.

Who is eligible to use Free File?

There is a Free File option for everyone. If taxpayers want to take advantage of the free online software that guides them through the preparation of their tax return and e-filing their return, taxpayers must qualify with their Adjusted Gross Income (AGI), which can be found on line 37 of the 1040. Each participating software company sets its own eligibility requirements and not all taxpayers will qualify for all. Individual company offers may be limited to AGI, geographic location, specific states and include other criteria. Taxpayers can take advantage of the very easy to use "Guide Me to a Company" tool to select a program that's right for them, or carefully review the Free File offer criteria on **IRS.gov**.

If taxpayers are comfortable with filling out their tax returns without assistance, similar to paper forms, then Free File Fillable Forms is available. Taxpayers just fill out the form at **IRS.gov** and submit the return electronically. Everyone is eligible for Free File Fillable Forms.

Is the Free File really free?

Yes, Free File is 100% free for qualifying taxpayers to electronically prepare and file their federal income taxes. There are no hidden fees or software costs. Taxpayers must enter through the IRS website, **IRS.gov**, to use Free File. Taxpayers who used Free File in the past and qualify again must start at **IRS.gov** to use Free File again this year. Please note that there may be a fee associated with filing your state return. Be sure to check the offers from the Free File companies.

What are the benefits of using Free File?

Free File is growing in popularity each year with over 3 million tax returns submitted electronically in 2009. It offers so many more benefits than filing with a paper return:

- It is also convenient—available online 24 hours a day, 7 days a week.
- It is safe and secure and completely FREE of charge for those who meet the income requirement.
- It is more accurate than paper filing because most companies include an accuracy check before and after the tax return is submitted electronically.
- Upon electronic submission of their federal tax return, taxpayers will receive a refund in less than half the time—in as little as 10 days with Direct Deposit.
- With Free File, taxpayers will receive an email from the Free File company, typically within 24 hours, acknowledging that the IRS has both received their tax return and made an initial scan for errors.
- All Free File companies provide the most commonly used tax forms.
- Free File is available in Spanish.
- For those who don't qualify for the Free File online preparation software, Free File Fillable Forms is available for all taxpayers.

Is Free File secure?

Yes, tax return information is protected through encryption. Companies offering Free File must attain a third-party privacy and security certification as well as comply with all federal rules and regulations on taxpayer privacy. For example, these rules prohibit the use of tax return data for purposes not specifically authorized by the taxpayer. The IRS monitors each company to make sure that it meets the privacy and security regulations. Free File uses proprietary software and the federal tax return is transmitted through the established **IRS** *e-file* system using secure technologies.

What is the difference between Free File and Free File Fillable Forms?

There is a Free File option for everyone. Both Free File options must be accessed through **IRS.gov**. Free File allows income-eligible taxpayers to electronically prepare and file their tax returns using online software offered by one of several approved software companies. Free File Fillable Forms are equivalent to filling out paper forms. Fillable Forms are not for everyone, especially if taxpayers have complex returns or need guidance in filling out the forms. Fillable Forms is for taxpayers who don't meet the income threshold for traditional Free File, who still want to *e-file*, but don't want to pay a fee associated with *e-file*.

What is the difference between Free File and *e-file*?

e-file lets taxpayers electronically file an accurate tax return or get an extension of time to file without sending any paper to the IRS. Taxpayers may use *e-file* through their tax preparer, over-the-counter software or Internet programs. 94 million Americans chose *e-file* last year—the IRS expects a record number of e-filers this year. e-filers enjoy these benefits:

- Faster refunds, in as little as 10 days with Direct Deposit
- More accurate returns
- File a return now and pay later
- Quick acknowledgment of receipt, typically within 24 hours of submission
- Convenient federal/state filing.

Free File is one of many *e-file* options where taxpayers who are income-eligible can prepare and file their federal taxes for FREE. Taxpayers who use Free File still receive the same benefits of *e-file*, but the services are free. Taxpayers must start at **IRS.gov** to use Free File.

Is Free File easy to use?

Yes. Free File is easy to use. If taxpayers have trouble choosing a company after scanning the list of companies, they may use the "Guide Me To A Company" interactive tool to narrow down their search. Of those who have used Free File, 95% rated the program as "easy to use" and 98% said they would recommend it to a friend or family member. The questions in the "Guide Me To A Company" interactive tool are designed to evenly distribute taxpayers to the Free File companies. The answers to the questions are not retained by the IRS and are not used for any other purpose. Every Free File company will provide the software to prepare the most commonly filed tax form and schedules.

Fact Sheets and FAQs

Can I download the tax software to prepare my return?

Free File does not use downloadable software. It is an Internet-based tax preparation program. All of the software is maintained on the individual company websites. But taxpayers can not access Free File from the software companies' site.

If I use a tax preparer, can I still use Free File?

Yes. If taxpayers meet the eligibility requirements for Free File, they may ask their tax preparer to use Free File to complete their return. Taxpayers can expect tax preparers to charge a fee to prepare a Free File return.

Which tax preparation and filing companies offer Free File?

Which tax preparation and filing companies offer Free File? Free File is offered by nationally-known tax preparation companies. For a full list, visit **IRS.gov**.

How do taxpayers use Free File?

To use Free File, taxpayers must first go to the IRS website, **IRS.gov**, and then click on the Free File logo to access the Free File page. Once they have reached the Free File page, they can either click to review the list of software companies and select one that best suits their needs or click on "Guide Me to a Company" for assistance in choosing a Free File company. Once taxpayers select a company, they will leave **IRS.gov** and be taken directly to that company's website to begin their federal tax return. Remember taxpayers must access the company through **IRS.gov** to use Free File. Any other starting point means they may be charged and won't be using Free File.

May taxpayers also file their state income tax return for free?

Some participating Free File Alliance companies offer free state tax return preparation and e-filing services. Taxpayers can also use the "Guide Me to a Company" tool on **IRS.gov** to determine which companies offer state tax preparation and e-filing services for their state and which may charge a fee for the state return. Taxpayers must check the company's Free File section of its website for more information.

If taxpayers qualify for the Earned Income Tax Credit, can they still use Free File?

Yes. Depending on income level, people who are eligible for the Earned Income Tax Credit (EITC) may also qualify to Free File. The Earned Income Tax Credit is a refundable tax credit for low-to-moderate-income working individuals and families. Taxpayers must check **IRS.gov** to see if their adjusted gross income allows them to qualify for EITC by using the EITC Assistant at **IRS.gov**. Taxpayers must file a federal income tax return, even if they are not required to file, and claim the credit to receive it. Some states have a similar credit. For additional information about the Earned Income Tax Credit, search **IRS.gov** for EITC Questions and Answers.

If taxpayers have a balance due on their return, is there a fee to pay?

Electronic payment options are convenient, safe and secure methods for paying taxes. Taxpayers can authorize an electronic funds withdrawal, use a credit card or enroll in the U.S. Treasury's Electronic Federal Tax Payment System. Electronic payment options give taxpayers an alternative to paying taxes by check or money order. You can file early and pay the balance due by the April 15th filing deadline. Fees may apply for credit card and debit card transactions.

Fact Sheets and FAQs

Are there any additional costs?

Before starting a federal return using Free File, taxpayers should carefully review the tax preparation company's criteria to confirm that they meet their eligibility for preparing and e-filing their federal tax return for free. While taxpayers may choose to do so, they are under no obligation to buy any of the company's other products or services. All Alliance partners have agreed to remove additional offerings, such as Refund Anticipation Loans (RALs), from the Free File program.

How do taxpayers sign their return if they use Free File?

Taxpayers will no longer be allowed to submit a paper form to sign their electronically filed return with Free File. Taxpayers simply use an electronic signature by creating an electronic personal identification number (PIN). Simple step-by-step instructions are provided to set up a PIN. To guard the safety and security of the return, taxpayers must verify their PIN by providing the previous year's Adjusted Gross Income (AGI) or a PIN used to sign last year's return.

IRS e-file

Why Taxpayers Should e-file

There's good news this year when it comes to doing your taxes. Electronically preparing and filing your taxes is easier than ever in 2009. With new improvements and enhancements to *e-file* there is no need to send those long paper forms to the IRS anymore.

Benefits of e-filing

e-file is growing in popularity each year with almost 94 million tax returns submitted electronically in 2009. It offers so many more benefits than filing with a paper return:

- It's convenient. You can access your previous year's return and copy duplicate information, such as your address, to a new form.

- It's more accurate. e-filed returns are less prone to errors since the software catches many mistakes, reducing the likelihood of follow-up correspondence from the IRS.

- It's quick. Refunds come in half the time as paper filing in as little as 10 days when you use Direct Deposit.

- It's safe. Electronic transmissions to the IRS are secure, using dedicated lines with the latest encryption technology.

- It's reassuring. After you e-file your return, you'll get an electronic acknowledgement that the IRS received it, typically within 24 hours.

- It's accessible. You can e-file your return 24 hours a day, 7 days a week.

- It can be free. Many tax software providers no longer charge extra for electronically filing your tax return. Be sure to shop around and look into software product offers.

e-file for Free

Now that you know the benefits of e-filing, how would you like to do it for free? Electronically preparing and filing your taxes can be free if you go to **IRS.gov** and select Free File. Free File now offers two completely free options to electronically prepare and file your tax return.

If your adjusted gross income met the level in 2009, you are eligible to electronically prepare and file your taxes at **IRS.gov** for free with Free File. Free File is a partnership between the Internal Revenue Service and a group of industry-leading tax preparation companies called the Free File Alliance, LLC.

Free File offers all the benefits of *e-file*. It is safe, easy to use and available in English and Spanish. Go to **IRS.gov**, click on "Free File" and select a tax preparation company from the list. You'll be directed to the company's site to electronically prepare and e-file your return.

Or, if you don't qualify to use one of these products, Free File allows you to complete the basic IRS tax forms online and e-file your return, regardless of income.

This year, make tax season better by e-filing your tax return. And if you qualify for Free File, use it to save money. You'll help yourself, while enjoying its many benefits.

e-file is Safe and Secure

Millions of taxpayers boot up their computers each tax filing season to file their taxes electronically. But many taxpayers still have concerns about filing these tax returns electronically.

The probability that your income tax data could be stolen when you e-file is extremely low. e-filing is actually more secure than mailing a tax return. An electronically filed return is encrypted and cannot be read as it moves between your computer or the online tax software you use and the IRS or state tax agency you submit the return to.

According to the Internal Revenue Service (IRS), the number of electronically filed tax returns surpassed a record in 2009 when 94 million tax returns, over 60% of all individual federal income tax returns, were e-filed. Sixty million of these returns came from tax professionals. More than 31 million taxpayers used software e-filing services from their home computers—up almost 20% compared to the prior year.

But just how secure is the IRS's *e-file* system? IRS *e-file* transmissions are **very secure** because the IRS is extremely diligent in the design, development, analysis and testing of its infrastructure and systems. Perhaps the most telling is that, as of Tax Year 2008, nearly 500 million tax returns have been filed electronically since 1986 with no transmissions broken into or compromised. In a nutshell, it is safe!

Yet, while there are a substantial number of taxpayers who use tax preparation software to prepare their return—a surprising number of these filers opt to print and mail their tax forms rather than using *e-file*.

The reality is that *e-file* eliminates most opportunities for mistakes and enables filers entitled to a tax refund to receive it faster. In fact, *e-file* increases taxpayers' control over their tax data because of security and safeguards in place.

This path of safety begins with you and specifically, your personal computer. There are several things you can do to maximize the security of your return:

1. First, make sure that you're on a secured computer. That is, you need to have current anti-virus and anti-spyware software installed and running. In addition, you want to make sure that you perform frequent virus scans and download any updates. You also need to install firewalls that protect your computer while on the Internet. Often, they are bundled with anti-virus and anti-spy-ware software. Ensuring your computer and applications are current with the latest security patches and updates from your computer's manufacturer and software vendors are also a critical step in ensuring your computer is secure.

2. Next, do not use shareware or peer-to-peer (P2P) software on any computer where you've stored personal, identifiable information, including tax returns, credit card numbers, bank information, social security numbers or other sensitive information. Peer-to-peer software includes programs where people share music files or videos across the Internet. Sometimes parents don't realize that their children are running these programs, so it's best to check before storing sensitive information. If you choose to run this type of software, make sure that the personal data is in an encrypted directory or one that the peer-to-peer community can't access.

3. When you're using an Internet Web site to transmit personal data, look for a "closed lock" icon on your screen, which is usually found in the lower right-hand corner. That shows you have a secured/encrypted link between you and the vendor. You should also see an "s" added to the end of "http" in the address line. If you don't see these security indicators, don't reveal or transmit your data.

4. Make sure that you use software programs and vendors approved by the IRS. A list is maintained at **IRS.gov** for your reference. As noted earlier, if you want to use Free File, a list of approved software companies who offer the program can also be found there.

e-file is Safe and Secure (Continued)

Facts on Security and Safety

Here are some facts you should know about the security and safety of *e-file*:

- *e-file* is not done over e-mail.

- *e-file* has many built-in security features and employs multiple firewalls.

- *e-file* uses state of the art virus detection.

- *e-file* meets or exceeds all government security standards and is tested for weaknesses by penetration testing.

- All Internet transmissions use data encryption.

For more information about the safety and security of *e-file*, go to **IRS.gov**.

Electronic Tax Filing Helps Reduce Errors

In 2009, 94 million taxpayers electronically prepared and filed their tax returns using store-bought tax preparation software, online programs or through a tax professional.

The popularity of these electronic options is due to the underlying benefits of *e-file*. One of its greatest benefits is accuracy.

Accuracy begins with the preparation of tax returns. Typically, a taxpayer or tax preparer answers a series of questions from tax software that helps to fill in the tax form.

Many errors and omissions are caught at this stage. When this data entry process is completed, an electronic tax transmitter then converts the file into a format that meets IRS specifications and transmits it to the IRS. When the IRS receives the return, it performs its own error-checking—yet another stage of review.

If there are errors in the information submitted, the IRS will immediately send an error message to the transmitter, indicating the nature of the error on the return. By comparison, a paper return sent via mail is entered by hand. Even software-prepared paper returns need to be re-keyed for processing. Ironically, this process can occasionally introduce errors on the return, causing lengthy delays to resolve.

Thus, *e-file* saves a great deal of time and money for taxpayers and the IRS by permitting rapid resolution of these tax return problems prior to acceptance by the IRS.

Preparing and filing taxes electronically has quadrupled since *e-file* was introduced by the IRS in 1986. Then, only about 16% of taxpayers used the service. Today, over 60% of taxpayers use *e-file* to prepare and file their tax returns. Increasingly, e-filing is gaining momentum as more taxpayers recognize it as the accurate and safe method of tax preparation with many other benefits.

Direct Deposit

Taxpayers expecting a refund this year should consider using Direct Deposit. It can be used whether taxpayers prepare and electronically file their own taxes or have a tax professional do it.

Using Direct Deposit is a safe, efficient way to get a refund by having it deposited electronically into a bank account. Over 68 million taxpayers chose to receive their refunds through Direct Deposit during 2009. That represents two-thirds of all refunds issued in the tax year.

If taxpayers use Free File, they can speed up their refund to as little as 10 days when they use Direct Deposit. Free File is a free online tax preparation and filing program for taxpayers who met the Adjusted Gross Income level in 2009. Free File is offered by the IRS and the Free File Alliance, LLC, a group of industry-leading tax preparation companies. Free File is fast, easy, accurate and safe, and is available only at **IRS.gov**.

To get a refund via Direct Deposit, taxpayers simply fill in the bank routing and account numbers under the "Refund" section of their income tax return form (1040 series). Payments can be divided and deposited in up to three different accounts, such as to a checking, savings or retirement account. If taxpayers choose to split their refund between more than one account, they'll need to fill out and include Form 8888 with the return and specify the amounts and account information for each allocation.

It makes sense to use Direct Deposit. It eliminates the chance of having a lost, stolen or undeliverable refund. Best of all, taxpayers get their refund in as little as 10 days. To learn more about Free File, visit **IRS.gov**.

IRS e-file

Three Easy Ways to Pay

When tax season rolls around, many taxpayers who owe taxes prepare, file and pay electronically. For those who owe the IRS, paying taxes in a timely manner saves the cost of late fees and penalties. Electronic tax payments are easier and more convenient than ever. Taxpayers can now electronically file their tax return any time **before April 15th** and defer paying any balance until April 15th. Taxpayers who e-file can also schedule up to four estimated e-payments for withdrawal from their account. Simply go to **IRS.gov** to find the scheduled dates for e-payments.

Here are the e-pay options IRS provides:

Electronic Funds Withdrawal

Taxpayers can schedule electronic funds withdrawal or direct debit with an electronically filed return. This option offers the convenience of *e-file* and e-pay in a single step. The IRS does charge a service fee for using this payment option. Taxpayers should also check with their financial institution about any fees it may charge. Taxpayers' bank account information is safeguarded along with other tax information, and payment information will not be disclosed for any reason other than for processing the transaction authorized by the taxpayer. For more information, **go to IRS.gov and click on e-pay**.

Electronic Debit and Credit Card Payments

Taxpayers can e-file and make a deferred payment by credit card or debit card. Taxpayers who use an ATM or debit card to pay are subject to a flat rate fee charged by the IRS. Those who opt to pay for their taxes with a credit card will incur a convenience fee charged by the credit card company. Payments can be made by phone, online or when e-filing. It's safe and secure. Standard commercial banking networks are used. The IRS does not receive or store card numbers.

Electronic Federal Tax Payment System

Taxpayers can also use a free system offered by the U.S. Department of the Treasury. The Electronic Federal Tax Payment System (EFTPS) is great for taxpayers who make more than one payment to the IRS. EFTPS allows taxpayers to make quarterly estimated tax payments and installment agreement payments; taxpayers get 16 months of payment history going forward and an acknowledgement of receipt of payment. For more information, or to enroll online, taxpayers should visit **www.eftps.gov**. Enrollment can take 7–10 days and taxpayers must be enrolled before they can make a payment using EFTPS. Taxpayers still have the option to e-file their taxes and pay the balance due in cash or by check to the IRS.

Paying taxes using EFTPS or any of the electronic payment options available is fast and secure. Use any of these three options to get the right payment to the IRS on time.

Electronically Sign *e-file* Returns

Electronically preparing and filing your taxes is easier than ever. Taxpayers who electronically file their tax returns must self-select a five-digit Personal Identification Number (PIN) to sign their return. This is important to know if you have previously signed your *e-file* return by sending the IRS a paper form instead of creating a PIN. Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return*, and Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return* (Spanish Version), have been eliminated as signature documents for individual taxpayers who use tax preparation software to prepare and e-file their returns. The electronic signature method allows taxpayers to use a PIN to sign their individual income tax return. They select five numbers (except all zeros) to enter as their electronic PIN signature. The taxpayer has the option to choose between two "shared secrets" for authentication. The self-select PIN signature method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) or the prior year PIN used to electronically sign their return. If a taxpayer enters both the prior year AGI and prior year PIN for authentication, only one shared secret must match IRS records.

If taxpayers do not know their AGI or PIN from last year, they can call **1-800-TAX-1040** to get the information they need. The process may require some additional effort on the part of the taxpayer, but it is designed to keep taxpayer information safe, secure and private. Those benefits, plus the quick refunds, low error rates, acknowledgement of receipt and other benefits of e-file make that effort worthwhile. For more information about the electronic signature process, visit **IRS.gov**.

Information for Taxpayers

Free File—It's Easier than Ever

New this year, Free File is improved and easier to use. Since its debut in 2003, more than 25 million eligible taxpayers have used Free File to electronically prepare and file their federal income tax returns without charge. Free File is a partnership between the Internal Revenue Service (IRS) and a group of industry-leading tax preparation companies called the Free File Alliance, LLC.

Benefits of Free File

Free File is available to taxpayers who met the Adjusted Gross Income (AGI) level in 2009. Seventy percent of taxpayers qualify, at least 99 million taxpayers.

Free File has many benefits:

- It's free. It is the no-cost way to prepare and file federal taxes.
- It's more accurate. e-filed returns are less prone to errors since the software catches many mistakes and reduces the chance of follow-up correspondence from the IRS.
- It's quick. Filers receiving a refund will get it in as little as 10 days, if they use Direct Deposit.
- It's convenient. Free File is available 24 hours a day, 7 days a week, beginning mid-January 2009.
- It's reassuring. Taxpayers will receive an email acknowledgement, typically within 24 hours of their return being transmitted to the IRS.
- It's available in both English and Spanish.
- New in 2009, all Free File companies will offer the most commonly filed tax forms and schedules.
- Also new in 2009, taxpayers prepare and submit their tax returns with electronic tax forms on **IRS.gov**. These forms are identical to the paper forms. Taxpayers simply fill in their tax data.

Free File Process

To access Free File, taxpayers must first go to the IRS website, **IRS.gov**, and click on "Free File." Once on the Free File home page there are simple instructions to help taxpayers find the company to best fit their needs.

At **IRS.gov**, taxpayers have two options: review a complete list of Free File companies and their offers or click on the "Guide Me to a Company" tool to help narrow down the list of companies that fit their needs. "Guide Me to a Company" is an interactive tool that asks a short list of questions and returns a list of companies that offer free tax preparation and electronic filing based on the specific answers to those questions.*

Because not all companies offer the same services to everyone, filers should be sure to read the offer description before selecting a company. Once a Free File company is selected, taxpayers will leave **IRS.gov** and go directly to that company's website to begin preparing their return online.

Although Free File is available only for federal income tax returns, some participating Free File Alliance companies also offer state tax return preparation and e-filing at no charge. Those services are noted in the Free File section of the companies' websites.

This year, join the growing number of taxpayers electronically preparing and filing their federal taxes. And do it for free. Visit **IRS.gov** for more information about *e-file* and Free File.

* **Note:** Taxpayers are asked these questions as a way to make sure the software meets their needs and to make sure filers are evenly distributed among the various Free File companies.

Free File—It's Easier than Ever (Spanish)

Free File: más fácil que nunca

A partir de este año, Free File ha mejorado y es más fácil de usar. Desde su lanzamiento en el año 2003, 25 millones de contribuyentes que cumplen con los requisitos han utilizado Free File para preparar y presentar electrónicamente las declaraciones federales de impuestos sobre los ingresos sin ningún costo. Free File es una sociedad entre el Servicio de Impuestos Internos (IRS, por sus siglas en inglés) y la Alianza Free File, LLC, un grupo de compañías líderes que preparan declaraciones de impuestos.

Beneficios de Free File

Free File se encuentra disponible para todos los contribuyentes que en 2008 tuvieron un Ingreso bruto ajustado (AGI, por sus siglas en inglés) de $56,000 al año o menos, lo que equivale al 70 por ciento de todos los contribuyentes, por lo menos 99 millones de contribuyentes.

Free File tiene una gran cantidad de beneficios:

- Es gratis. Es la forma sin costo para preparar y presentar la declaración de impuestos federales.

- Es más exacto. Las declaraciones presentadas electrónicamente tienen una menor probabilidad de error, ya que el software detecta muchos errores y reduce la posibilidad de recibir correspondencia de seguimiento del IRS.

- Es rápido. Los contribuyentes que reciben un reembolso, lo obtendrán en tan sólo 10 días si eligen depósito directo.

- Es conveniente. Free File está disponible las 24 horas del día, los siete días de la semana a partir de mediados de enero de 2009.

- Es reconfortante. Por lo general, los contribuyentes recibirán un acuse de recibo por correo electrónico dentro de las 24 horas posteriores a la transmisión de la declaración al IRS.

- También está disponible en inglés y en español.

- Como novedad en 2009, todas las compañías Free File ofrecerán los formularios y anexos de impuestos que se presentan para declaración con mayor frecuencia.

- También como novedad para 2009, los contribuyentes preparan y envían sus declaraciones de impuestos usando formularios interactivos en **IRS.gov**. Estos formularios son idénticos a los formularios impresos. Los contribuyentes simplemente completan su información tributaria y presionan "enviar" para enviar sus declaraciones electrónicas directamente al IRS.

Proceso de Free File

Para acceder a Free File, los contribuyentes primero deben ir al sitio de Internet del IRS, **IRS.gov**/espanol y hacer clic en "Presentación Free File". En la página de inicio de Free File, los contribuyentes podrán ver instrucciones simples que les ayudarán a encontrar la compañía que sea más adecuada para sus necesidades.

En **IRS.gov**, los contribuyentes tienen dos opciones: revisar una lista completa de compañías Free File y sus ofertas, o hacer clic en "Guíeme hacia una compañía" ("Guide Me to a Company", en inglés), herramienta que ayuda a reducir la lista de compañías que se adaptan a sus necesidades. "Guíeme hacia una compañía" es una herramienta interactiva que plantea una breve lista de preguntas y entrega una lista de compañías que ofrecen preparación y presentación de la declaración de impuestos electrónica gratis de acuerdo con las respuestas específicas a dichas preguntas.*

Dado que no todas las compañías ofrecen los mismos servicios a todos, los contribuyentes deben asegurarse de leer la descripción de la oferta antes de seleccionar una compañía. Una vez elegida la compañía Free File, los contribuyentes abandonarán **IRS.gov** y se dirigirán directamente al sitio de Internet de esa compañía para comenzar a preparar su declaración en línea.

A pesar de que Free File está disponible sólo para las declaraciones federales de impuestos sobre el ingreso, algunas compañías participantes de la Alianza Free File también ofrecen la preparación y presentación electrónica de declaraciones estatales de impuestos sobre el ingreso sin ningún costo. Esos servicios se encuentran listados en la sección Free File de los sitios de Internet de esas compañías.

Este año, sea uno más del creciente número de contribuyentes que preparan y presentan electrónicamente su declaración federal de impuestos. Y hágalo gratis. Visite **IRS.gov**/espanol para obtener más información sobre e-file y Free File.

*Nota: Se formulan estas preguntas a los contribuyentes como una forma de distribuir de manera uniforme, asegurar que el software cumpla con sus necesidades y asegurar que los contribuyentes se distribuyan equitativamente entre las diferentes compañías Free File.

20-Somethings Can File Their Taxes Electronically for Free!

There are a lot of free things you can do on the Internet to make your life easier. You can connect with friends, watch TV shows, even pay off your student loans. The Internal Revenue Service (IRS) has added filing federal income tax returns to that list with Free File. Free File is an online tax preparation and filing program offered by the IRS in partnership with the Free File Alliance, a group of leading tax preparation companies. Taxpayers who met the Adjusted Gross Income level in 2009 can electronically prepare and file their tax return for FREE.

With Free File, you can expect a fast refund. If you choose Direct Deposit, you can have your refund in as little as 10 days, versus several weeks with paper filing options. And, by using Free File, you're less likely to file an inaccurate return because the software checks for inconsistent responses and checks your math.

Free File is fast, easy and safe to use. To start, go to the IRS website, **IRS.gov**, click on "Free File" and choose a tax preparation company from the list provided. Then, simply click on the link to the selected company's website and begin preparing your return. Free File is not available by going directly to a company's website, so be sure to start at **IRS.gov**.

Free File also has a "Guide Me to a Company" feature that helps taxpayers select a company that offers services tailored to their particular situation.

Since the program launched in 2003, more than 25 million taxpayers have used Free File. Seventy percent of all taxpayers—including most workers in their 20s—are eligible to use it. A recent survey showed that 95% of those who used Free File found it "easy to use" and 98% said they would recommend it to others.

Free File is accessible 24 hours a day, 7 days a week when tax season officially begins in mid–January. The program is available in both English and Spanish. Simply visit **IRS.gov** to get started, and save time and money.

Take the next step: Ask your preparer to *e-file* your return

When it comes to preparing income tax returns, many taxpayers rely on the services of a tax professional who can help determine qualified deductions, answer questions and decipher the latest tax rules and regulations. Tax professionals need to be on top of the latest trends, but also keep up with today's business world, and this includes using *e-file*.

Every year, there continues to be a growing trend toward electronic filing and paying. 94 million tax returns were electronically filed in 2009 with over 60 million returns being e-filed by tax professionals mainly due the benefits of *e-file*: it's fast, secure and accurate. An electronically prepared and filed return has an error rate of less than 1%, compared to an error rate of about 20% for a paper return. Taxpayers can receive a refund in as little as 10 days if they request their tax professional use *e-file* and Direct Deposit. Also, taxpayers who owe can pay electronically by debiting their financial account or using a credit card. And they can even defer the payment to April 15th, regardless of how early in the season they file their return.

Taxpayers who use tax professionals to prepare their returns should ask them to use *e-file*. Tax professionals who are accepted into the IRS's *e-file* program are called "Authorized IRS *e-file* Providers." Taxpayers can identify these approved practitioners by looking for this designation.

The IRS is making it easier for taxpayers and tax professionals to use *e-file*. *e-file* has improved over the years with all standard federal tax forms available now. Taxpayers are now able to sign their tax forms electronically with a designated PIN using the previous year's adjusted gross income (AGI). In addition, there are several resources on **IRS.gov** for questions and support on *e-file*. And the rapid acknowledgement that the IRS received the return will let taxpayers know their return is safely with IRS.

Increasingly, taxpayers are asking their tax advisors to e-file their returns for the many benefits that include speed of their refund and accuracy in their return. To learn more about benefits of *e-file* or about "Authorized IRS *e-file* Providers", visit **IRS.gov**.

Some tax professionals may charge a fee for *e-file*, but many have eliminated the fee completely or have reduced it substantially due to competition in the marketplace and how easy it is to e-file. Today, some tax professionals charge an extra fee to file a paper return.

Electronically Sign *e-file* Returns

Electronically preparing and filing your taxes is easier than ever. Taxpayers who electronically file their tax returns must self-select a five-digit Personal Identification Number (PIN) to sign their return. This is important to know if you have previously signed your *e-file* return by sending the IRS a paper form instead of creating a PIN. Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return*, and Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return* (Spanish Version), have been eliminated as signature documents for individual taxpayers who use tax preparation software to prepare and e-file their returns. The electronic signature method allows taxpayers to use a PIN to sign their individual income tax return. They select five numbers (except all zeros) to enter as their electronic PIN signature. The taxpayer has the option to choose between two "shared secrets" for authentication. The self-select PIN signature method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) or the prior year PIN used to electronically sign their return. If a taxpayer enters both the prior year AGI and prior year PIN for authentication, only one shared secret must match IRS records.

If taxpayers do not know their AGI or PIN from last year, they can call **1-800-TAX-1040** to get the information they need. The process may require some additional effort on the part of the taxpayer, but it is designed to keep taxpayer information safe, secure and private. Those benefits, plus the quick refunds, low error rates, acknowledgement of receipt and other benefits of e-file make that effort worthwhile. For more information about the electronic signature process, visit **IRS.gov**.

e-file is Safe and Secure

Millions of taxpayers boot up their computers each tax filing season to file their taxes electronically. But many taxpayers still have concerns about filing these tax returns electronically.

The probability that your income tax data could be stolen when you e-file is extremely low. e-filing is actually more secure than mailing a tax return. An electronically filed return is encrypted and cannot be read as it moves between your computer or the online tax software you use and the IRS or state tax agency you submit the return to.

According to the Internal Revenue Service (IRS), the number of electronically filed tax returns surpassed a record in 2009 when 94 million tax returns, over 60% of all individual federal income tax returns, were e-filed. Sixty million of these returns came from tax professionals. More than 31 million taxpayers used software e-filing services from their home computers—up almost 20% compared to the prior year.

But just how secure is the IRS's *e-file* system? IRS *e-file* transmissions are **very secure** because the IRS is extremely diligent in the design, development, analysis and testing of its infrastructure and systems. Perhaps the most telling is that, as of Tax Year 2008, nearly 500 million tax returns have been filed electronically since 1986 with no transmissions broken into or compromised. In a nutshell, it is safe!

Yet, while there are a substantial number of taxpayers who use tax preparation software to prepare their return—a surprising number of these filers opt to print and mail their tax forms rather than using e-file.

The reality is that *e-file* eliminates most opportunities for mistakes and enables filers entitled to a tax refund to receive it faster. In fact, *e-file* increases taxpayers' control over their tax data because of security and safeguards in place.

This path of safety begins with you and specifically, your personal computer. There are several things you can do to maximize the security of your return:

1. First, make sure that you're on a secured computer. That is, you need to have current anti-virus and anti-spyware software installed and running. In addition, you want to make sure that you perform frequent virus scans and download any updates. You also need to install firewalls that protect your computer while on the Internet. Often, they are bundled with anti-virus and anti-spy-ware software. Ensuring your computer and applications are current with the latest security patches and updates from your computer's manufacturer and software vendors are also a critical step in ensuring your computer is secure.

2. Next, do not use shareware or peer-to-peer (P2P) software on any computer where you've stored personal, identifiable information, including tax returns, credit card numbers, bank information, social security numbers or other sensitive information. Peer-to-peer software includes programs where people share music files or videos across the Internet. Sometimes parents don't realize that their children are running these programs, so it's best to check before storing sensitive information. If you choose to run this type of software, make sure that the personal data is in an encrypted directory or one that the peer-to-peer community can't access.

3. When you're using an Internet Web site to transmit personal data, look for a "closed lock" icon on your screen, which is usually found in the lower right-hand corner. That shows you have a secured/encrypted link between you and the vendor. You should also see an "s" added to the end of "http" in the address line. If you don't see these security indicators, don't reveal or transmit your data.

4. Make sure that you use software programs and vendors approved by the IRS. A list is maintained at **IRS.gov** for your reference. As noted earlier, if you want to use Free File, a list of approved software companies who offer the program can also be found there.

e-file is Safe and Secure *(Continued)*

Facts on Security and Safety

Here are some facts you should know about the security and safety of *e-file*:

- *e-file* is not done over e-mail.
- *e-file* has many built-in security features and employs multiple firewalls.
- *e-file* uses state of the art virus detection.
- *e-file* meets or exceeds all government security standards and is tested for weaknesses by penetration testing.
- All Internet transmissions use data encryption.

For more information about the safety and security of *e-file*, go to **IRS.gov**.

IRS *e-file*

e-file Benefits for Tax Professionals

Create Loyal, Satisfied Clients with *e-file*

e-file continues to grow in popularity each year with 94 million tax returns submitted electronically in 2009, a 20% increase over 2008. Sixty million of the tax returns have been submitted electronically by tax professionals in 2009.

Benefits of *e-file*

Research shows that preparers who use **IRS** *e-file* are highly satisfied.

- **Proof of Receipt:** When tax professionals use *e-file*, clients receive proof within 24 hours that their tax return has been accepted by the IRS.

- **Accuracy:** Because e-filed returns are in the systems exactly how you prepared them, your clients are reassured that their taxes are done error-free without having data re-input by the IRS.

- **Up-front Validity Checks:** With *e-file*, mistakes are caught that otherwise wouldn't be detected until weeks, months, or even years later.

- **Quicker Refunds:** Clients will receive their refunds in as little as 10 days as long as they use Direct Deposit.

- **File Now. Pay Later:** If your clients owe money they can file now and defer payment until April 15th with several payment options.

e-file is Easier Than Ever

The IRS is making it easier for you to take care of your client's taxes electronically as *e-file* expands and improves each year.

Electronic Signature

All e-filed individual returns submitted by tax professionals must now be electronically signed using a Personal Identification Number (PIN). Tax professionals can choose from a Self-Select PIN or Practitioner PIN.

The Self-Select PIN allows taxpayers to electronically sign their e-filed return by using a five-digit PIN. Their prior year Adjusted Gross Income (AGI) or prior year PIN are used to verify their identity. When taxpayers enter their PINs directly into the electronic return, signature authorizations are not required. In all other instances, taxpayers must sign the Form 8879, **IRS** *e-file* Signature Authorization.

A Practitioner PIN is used when a taxpayer authorizes an Electronic Return Originator (ERO) to input an electronic signature on behalf of the taxpayer. A Practitioner PIN authorizes the ERO to generate or enter the taxpayer's PIN on an electronically filed return. This method requires the tax practitioner to use Form 8879, IRS *e-file* Signature Authorization. The form is retained by the ERO.

It is important for tax professionals to remember to make sure their EFIN is valid, approved and active when signing an individual taxpayer's returns.

Exception Processing

Each year, more than 10% of individual returns electronically filed to the IRS are rejected by IRS systems for a host of reasons, the most common is inconsistent Social Security Numbers. Exception processing allows tax professionals to send an imperfect return electronically for reject codes 501 and 504 only.

Join the growing number of tax professionals who have used *e-file* and say that it is well-worth it. *e-file* and e-pay can create loyal, satisfied customers.

Information for Tax Professionals

e-Services—Online Tools Made Just for Tax Professionals

The IRS is making it easier for you to take care of your clients' taxes electronically.

Tax professionals and payers can now use the e-Services suite of web-based products to do business with the IRS electronically. These services are available 24 hours a day, 7 days a week from just about any computer with an Internet connection. Products are continually updated and new services are added regularly.

All tax professionals who are registered for e-Services are eligible to use the following products:

- **Registration:** All tax professionals who wish to use e-services products must register online as individuals to create an electronic account. The registration process is a one-time automated process where the user selects a username, password and PIN.

- **Preparer Tax Identification Number (PTIN):** As a paid tax professional, you may choose to use a PTIN, instead of your SSN, on returns that are prepared for clients.

- **Online *e-file* application:** A new *e-file* application process combines Form 9041 and Form 8633 into a new integrated Form 8633 available both online and via paper. Applications can be maintained and updated electronically, and a new delegation of authority feature allows principals or responsible officials of the firm/organization to delegate e-services to their employees. You can also use the application to review/revise and update information anytime.

Active participants in the **IRS** *e-file* program and those who e-file five or more accepted individual or business returns in a season are eligible to use several incentive e-Service products:

- **Disclosure Authorization:** You may complete authorization forms, view and modify existing forms and receive acknowledgement of accepted submissions—all online. The benefit is expedited processing and real-time acknowledgment of accepted submissions.

- **Electronic Account Resolution:** This product allows you to resolve account problems by electronically sending/receiving account-related inquiries.

- **Transcript Delivery System:** Tax professionals can request and receive account transcripts, wage and income documents, tax return transcripts and verification of non-filing letters.

Reporting Agents who are accepted participants in *e-file* will have access to Transcript Delivery System and Electronic Account Resolution.

e-file is expanding and improving each year. Tax professionals who have switched to *e-file* have said that it was worth the change. As the number of taxpayers who e-file grows, so does the need for tax professionals to use *e-file*. For more information about e-Services for tax professionals and all the benefits of using *e-file*, go to the IRS website at **IRS.gov**.

Modernized e-file—What Practitioners Need to Know

The Modernized e-file (MeF) system—which is currently very successfully processing electronically filed tax returns for corporations, partnerships, excise tax filers and exempt organizations—provides real-time processing of tax returns and extensions. In the next few years, it will be a replacement of the current IRS tax return filing technology, the current e-file system, which processes returns in several batches per day.

The IRS plans to roll out the MeF 1040 in phases. The first release of MeF 1040 will include Form 1040 for Tax Year 2009 and 21 forms and schedules that can be attached to the 1040, plus the Form 4868. The second phase will include TY 2010 for the same 23 forms, and the prior year TY 2009 (23 forms). Phase II will also include code optimization and the build-out of additional hardware. (Code optimization is the process of modifying a program or system so that it executes more efficiently and requires fewer resources.) The third phase will include all remaining electronically-filed 1040-related tax forms for TY 2011 (150+ forms), and prior years TY 2010 (23 forms) and TY 2009 (23 forms). Once MeF is fully implemented, the current e-file system will be phased out over an extended period of time.

In addition to improving processing turn-around times, MeF improves error detection, standardizes business rules and makes them easier to understand, expedites acknowledgements to transmitters, and allows users to attach PDF files if their tax software supports it. The forms that MeF currently supports include: Corporations (1120, 1120S, 1120-F), Exempt Organizations (990, 990EZ, 990PF, 1120 POL, 990-N, 990 Redesign), Partnerships (1065, 1065-B), Excise Tax (2290, 720, 8849), and Extensions (7004, 8868).

Advantages for Practitioners

MeF will deliver significant value and benefits to practitioners beyond the capabilities of the current e-file system.

1. More Explicit Error Conditions

Under the current 1040 e-file program, a single error code may apply to multiple types of e-file error conditions. With MeF, new error codes use simple wording to clarify each error that triggers a rejection, they pinpoint the location of the error in the return, and provide complete information in the Acknowledgement File.

2. Faster acknowledgements

MeF returns are processed as they are received instead of in batches, as with the current e-file system. As a result, a response time of about five minutes to the transmitter should be expected in non-peak periods. This will enhance customer service by allowing preparers to fix return issues in real time.

3. Improved processing

Form 1040 and any attachments will be submitted electronically to MeF in XML (E**X**tensible **M**arkup **L**anguage) format. This will allow for more effective use of data. MeF will also allow attachments in PDF to accommodate late legislation and form changes. Practitioners should check with their software provider to determine if PDF attachments are supported.

4. Amended and prior year returns

MeF will allow filing of prior year 1040 returns beginning in Processing Year 2011. As a new tax form type is added to the MeF platform, tax returns will be accepted for the current tax year only. As subsequent tax years are added to the system, MeF will accept the current tax year and two prior tax years. Amended returns are tentatively scheduled to be accepted in MeF in Processing Year 2012.

5. Year Round Filing

Returns filed through MeF can be submitted year-round.

Modernized *e-file* (Continued)

Impact on Practitioners

Modernized *e-file* will not change the way tax practitioners transmit *e-file* returns. Practitioners may not even know that the return was a MeF return, although a rapid acknowledgement may be sent by the transmitter and can be a giveaway. In most cases, the returns are sent to a transmitter who then sends the return to the IRS. Practitioners should discuss MeF with software development companies, especially when it comes to error codes, to ensure that their needs will be met by their products. As MeF is phased in, there will be some limitations for transmitters on how many returns can be sent to MeF versus the current *e-file* system. The IRS has no intention of requiring transmitters to use the MeF system during the initial transition.

Communications

Modernized *e-file* will offer clear advantages to practitioners. The IRS established the MeF 1040 website to keep practitioners updated on the status and changes with MeF 1040 including deployment dates and tax practitioner working group minutes. Practitioners can also email 1040MeF@irs.gov for additional information and help with 1040 MeF or sign up for Quick Alerts at **IRS.gov**.

Electronic Tax Filing Helps Reduce Errors

In 2009, 94 million taxpayers electronically prepared and filed their tax returns using store-bought tax preparation software, online programs or through a tax professional.

The popularity of these electronic options is due to the underlying benefits of *e-file*. One of its greatest benefits is accuracy.

Accuracy begins with the preparation of tax returns. Typically, a taxpayer or tax preparer answers a series of questions from tax software that helps to fill in the tax form.

Many errors and omissions are caught at this stage. When this data entry process is completed, an electronic tax transmitter then converts the file into a format that meets IRS specifications and transmits it to the IRS. When the IRS receives the return, it performs its own error-checking—yet another stage of review.

If there are errors in the information submitted, the IRS will immediately send an error message to the transmitter, indicating the nature of the error on the return. By comparison, a paper return sent via mail is entered by hand. Even software-prepared paper returns need to be re-keyed for processing. Ironically, this process can occasionally introduce errors on the return, causing lengthy delays to resolve.

Thus, *e-file* saves a great deal of time and money for taxpayers and the IRS by permitting rapid resolution of these tax return problems prior to acceptance by the IRS.

Preparing and filing taxes electronically has quadrupled since *e-file* was introduced by the IRS in 1986. Then, only about 16% of taxpayers used the service. Today, over 60% of taxpayers use *e-file* to prepare and file their tax returns. Increasingly, e-filing is gaining momentum as more taxpayers recognize it as the accurate and safe method of tax preparation with many other benefits.

2010 Refund Cycle Chart

Transmitted and accepted (by 11:00 a.m.) between…	Direct Deposit Sent*	Paper Check Mailed
Jan 15 and Jan 21, 2010	Jan 29, 2010	Feb 5, 2010
Jan 21 and Jan 28, 2010	Feb 5, 2010	Feb 12, 2010
Jan 28 and Feb 4, 2010	Feb 12, 2010	Feb 19, 2010
Feb 4 and Feb 11, 2010	Feb 19, 2010	Feb 26, 2010
Feb 11 and Feb 18, 2010	Feb 26, 2010	Mar 5, 2010
Feb 18 and Feb 25, 2010	Mar 5, 2010	Mar 12, 2010
Feb 25 and Mar 4, 2010	Mar 12, 2010	Mar 19, 2010
Mar 4 and Mar 11, 2010	Mar 19, 2010	Mar 26, 2010
Mar 11 and Mar 18, 2010	Mar 26, 2010	Apr 2, 2010
Mar 18 and Mar 25, 2010	Apr 2, 2010	Apr 9, 2010
Mar 25 and Apr 1, 2010	Apr 9, 2010	Apr 16, 2010
Apr 1 and Apr 8, 2010	Apr 16, 2010	Apr 23, 2010
Apr 8 and Apr 15, 2010	Apr 23, 2010	Apr 30, 2010
Apr 15 and Apr 22, 2010	Apr 30, 2010	May 7, 2010
Apr 22 and Apr 29, 2010	May 7, 2010	May 14, 2010
Apr 29 and May 6, 2010	May 14, 2010	May 21, 2010
May 6 and May 13, 2010	May 21, 2010	May 28, 2010
May 13 and May 20, 2010	May 28, 2010	May 28, 2010
May 20 and May 27, 2010	Jun 4, 2010	Jun 11, 2010
May 27 and Jun 3, 2010	Jun 11, 2010	Jun 18, 2010

Transmitted and accepted (by 11:00 a.m.) between…	Direct Deposit Sent*	Paper Check Mailed
Jun 3 and Jun 10, 2010	Jun 18, 2010	Jun 25, 2010
Jun 10 and Jun 17, 2010	Jun 25, 2010	Jul 2, 2010
Jun 17 and Jun 24, 2010	Jul 2, 2010	Jul 9, 2010
Jun 24 and Jul 1, 2010	Jul 9, 2010	Jul 16, 2010
Jul 1 and Jul 8, 2010	Jul 16, 2010	Jul 23, 2010
Jul 8 and Jul 15, 2010	Jul 23, 2010	Jul 30, 2010
Jul 15 and Jul 22, 2010	Jul 30, 2010	Aug 6, 2010
Jul 22 and Jul 29, 2010	Aug 6, 2010	Aug 13, 2010
Jul 29 and Aug 5, 2010	Aug 13, 2010	Aug 20, 2010
Aug 5 and Aug 12, 2010	Aug 20, 2010	Aug 27, 2010
Aug 12 and Aug 19, 2010	Aug 27, 2010	Sep 3, 2010
Aug 19 and Aug 26, 2010	Sep 3, 2010	Sep 10, 2010
Aug 26 and Sep 2, 2010	Sep 10, 2010	Sep 17, 2010
Sep 2 and Sep 9, 2010	Sep 17, 2010	Sep 24, 2010
Sep 9 and Sep 16, 2010	Sep 24, 2010	Oct 1, 2010
Sep 16 and Sep 23, 2010	Oct 1, 2010	Oct 8, 2010
Sep 23 and Sep 30, 2010	Oct 8, 2010	Oct 15, 2010
Sep 30 and Oct 7, 2010	Oct 15, 2010	Oct 22, 2010
Oct 7 and Oct 14, 2010	Oct 22, 2010	Oct 29, 2010
Oct 14 and Oct 21, 2010	Oct 29, 2010	Nov 5, 2010

Refund Inquiries

Taxpayers who e-filed can get refund information 72 hours after the electronic return data is acknowledged as accepted by the IRS. To check the status of a refund go to **IRS.gov** and click on "Where's My Refund?" Taxpayers without Internet access can get refund information by calling **1-800-829-1954** or **1-800-829-4477**.

* The IRS does not guarantee a specific date that a refund will be deposited into a taxpayer's financial institution account or mailed.

Three Easy Ways to Pay

When tax season rolls around, many taxpayers who owe taxes prepare, file and pay electronically. For those who owe the IRS, paying taxes in a timely manner saves the cost of late fees and penalties. Electronic tax payments are easier and more convenient than ever. Taxpayers can now electronically file their tax return any time **before April 15th** and defer paying any balance until April 15th. Taxpayers who e-file can also schedule up to four estimated e-payments for withdrawal from their account. Simply go to **IRS.gov** to find the scheduled dates for e-payments.

Here are the e-pay options IRS provides:

Electronic Funds Withdrawal

Taxpayers can schedule electronic funds withdrawal or direct debit with an electronically filed return. This option offers the convenience of *e-file* and e-pay in a single step. The IRS does charge a service fee for using this payment option. Taxpayers should also check with their financial institution about any fees it may charge. Taxpayers' bank account information is safeguarded along with other tax information, and payment information will not be disclosed for any reason other than for processing the transaction authorized by the taxpayer. For more information, **go to IRS.gov and click on e-pay**.

Electronic Debit and Credit Card Payments

Taxpayers can e-file and make a deferred payment by credit card or debit card. Taxpayers who use an ATM or debit card to pay are subject to a flat rate fee charged by the IRS. Those who opt to pay for their taxes with a credit card will incur a convenience fee charged by the credit card company. Payments can be made by phone, online or when e-filing. It's safe and secure. Standard commercial banking networks are used. The IRS does not receive or store card numbers.

Electronic Federal Tax Payment System

Taxpayers can also use a free system offered by the U.S. Department of the Treasury. The Electronic Federal Tax Payment System (EFTPS) is great for taxpayers who make more than one payment to the IRS. EFTPS allows taxpayers to make quarterly estimated tax payments and installment agreement payments; taxpayers get 16 months of payment history going forward and an acknowledgement of receipt of payment. For more information, or to enroll online, taxpayers should visit **www.eftps.gov**. Enrollment can take 7–10 days and taxpayers must be enrolled before they can make a payment using EFTPS. Taxpayers still have the option to e-file their taxes and pay the balance due in cash or by check to the IRS.

Paying taxes using EFTPS or any of the electronic payment options available is fast and secure. Use any of these three options to get the right payment to the IRS on time.

Electronically Sign *e-file* Returns

Electronically preparing and filing your taxes is easier than ever. Taxpayers who electronically file their tax returns must self-select a five-digit Personal Identification Number (PIN) to sign their return. This is important to know if you have previously signed your *e-file* return by sending the IRS a paper form instead of creating a PIN. Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return*, and Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return* (Spanish Version), have been eliminated as signature documents for individual taxpayers who use tax preparation software to prepare and e-file their returns. The electronic signature method allows taxpayers to use a PIN to sign their individual income tax return. They select five numbers (except all zeros) to enter as their electronic PIN signature. The taxpayer has the option to choose between two "shared secrets" for authentication. The self-select PIN signature method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) or the prior year PIN used to electronically sign their return. If a taxpayer enters both the prior year AGI and prior year PIN for authentication, only one shared secret must match IRS records.

If taxpayers do not know their AGI or PIN from last year, they can call **1-800-TAX-1040** to get the information they need. The process may require some additional effort on the part of the taxpayer, but it is designed to keep taxpayer information safe, secure and private. Those benefits, plus the quick refunds, low error rates, acknowledgement of receipt and other benefits of e-file make that effort worthwhile. For more information about the electronic signature process, visit **IRS.gov**.

e-file

Free File—It's Easier than Ever

New this year, Free File is improved and easier to use. Since its debut in 2003, more than 25 million eligible taxpayers have used Free File to electronically prepare and file their federal income tax returns without charge. Free File is a partnership between the Internal Revenue Service (IRS) and a group of industry-leading tax preparation companies called the Free File Alliance, LLC.

Benefits of Free File

Free File is available to taxpayers who met the Adjusted Gross Income (AGI) level in 2009. Seventy percent of taxpayers qualify, at least 99 million taxpayers.

Free File has many benefits:

- It's free. It is the no-cost way to prepare and file federal taxes.

- It's more accurate. e-filed returns are less prone to errors since the software catches many mistakes and reduces the chance of follow-up correspondence from the IRS.

- It's quick. Filers receiving a refund will get it in as little as 10 days if they use Direct Deposit.

- It's convenient. Free File is available 24 hours a day, 7 days a week, beginning mid-January 2009.

- It's reassuring. Taxpayers will receive an email acknowledgement, typically within 24 hours of their return being transmitted to the IRS.

- It's available in both English and Spanish.

- New in 2009, all Free File companies will offer the most commonly filed tax forms and schedules.

- Also new in 2009, taxpayers prepare and submit their tax returns with electronic tax forms on **IRS.gov**. These forms are identical to the paper forms. Taxpayers simply fill in their tax data.

Free File Process

To access Free File, taxpayers must first go to the IRS website, **IRS.gov**, and click on "Free File." Once on the Free File home page there are simple instructions to help taxpayers find the company to best fit their needs.

At **IRS.gov**, taxpayers have two options: review a complete list of Free File companies and their offers or click on the "Guide Me to a Company" tool to help narrow down the list of companies that fit their needs. "Guide Me to a Company" is an interactive tool that asks a short list of questions and returns a list of companies that offer free tax preparation and electronic filing based on the specific answers to those questions.*

Because not all companies offer the same services to everyone, filers should be sure to read the offer description before selecting a company. Once a Free File company is selected, taxpayers will leave **IRS.gov** and go directly to that company's website to begin preparing their return online.

Although Free File is available only for federal income tax returns, some participating Free File Alliance companies also offer state tax return preparation and e-filing at no charge. Those services are noted in the Free File section of the companies' websites.

This year, join the growing number of taxpayers electronically preparing and filing their federal taxes. And do it for free. Visit **IRS.gov** for more information about *e-file* and Free File.

* **Note:** Taxpayers are asked these questions as a way to make sure the software meets their needs and to make sure filers are evenly distributed among the various Free File companies.

Free File—It's Easier than Ever (Spanish)

Free File: más fácil que nunca

A partir de este año, Free File ha mejorado y es más fácil de usar. Desde su lanzamiento en el año 2003, 25 millones de contribuyentes que cumplen con los requisitos han utilizado Free File para preparar y presentar electrónicamente las declaraciones federales de impuestos sobre los ingresos sin ningún costo. Free File es una sociedad entre el Servicio de Impuestos Internos (IRS, por sus siglas en inglés) y la Alianza Free File, LLC, un grupo de compañías líderes que preparan declaraciones de impuestos.

Beneficios de Free File

Free File se encuentra disponible para todos los contribuyentes que en 2008 tuvieron un Ingreso bruto ajustado (AGI, por sus siglas en inglés) de $56,000 al año o menos, lo que equivale al 70 por ciento de todos los contribuyentes, por lo menos 99 millones de contribuyentes.

Free File tiene una gran cantidad de beneficios:

- Es gratis. Es la forma sin costo para preparar y presentar la declaración de impuestos federales.

- Es más exacto. Las declaraciones presentadas electrónicamente tienen una menor probabilidad de error, ya que el software detecta muchos errores y reduce la posibilidad de recibir correspondencia de seguimiento del IRS.

- Es rápido. Los contribuyentes que reciben un reembolso, lo obtendrán en tan sólo 10 días si eligen depósito directo.

- Es conveniente. Free File está disponible las 24 horas del día, los siete días de la semana a partir de mediados de enero de 2009.

- Es reconfortante. Por lo general, los contribuyentes recibirán un acuse de recibo por correo electrónico dentro de las 24 horas posteriores a la transmisión de la declaración al IRS.

- También está disponible en inglés y en español.

- Como novedad en 2009, todas las compañías Free File ofrecerán los formularios y anexos de impuestos que se presentan para declaración con mayor frecuencia.

- También como novedad para 2009, los contribuyentes preparan y envían sus declaraciones de impuestos usando formularios interactivos en **IRS.gov**. Estos formularios son idénticos a los formularios impresos. Los contribuyentes simplemente completan su información tributaria y presionan "enviar" para enviar sus declaraciones electrónicas directamente al IRS.

Proceso de Free File

Para acceder a Free File, los contribuyentes primero deben ir al sitio de Internet del IRS, **IRS.gov**/espanol y hacer clic en "Presentación Free File". En la página de inicio de Free File, los contribuyentes podrán ver instrucciones simples que les ayudarán a encontrar la compañía que sea más adecuada para sus necesidades.

En **IRS.gov**, los contribuyentes tienen dos opciones: revisar una lista completa de compañías Free File y sus ofertas, o hacer clic en "Guíeme hacia una compañía" ("Guide Me to a Company", en inglés), herramienta que ayuda a reducir la lista de compañías que se adaptan a sus necesidades. "Guíeme hacia una compañía" es una herramienta interactiva que plantea una breve lista de preguntas y entrega una lista de compañías que ofrecen preparación y presentación de la declaración de impuestos electrónica gratis de acuerdo con las respuestas específicas a dichas preguntas.*

Dado que no todas las compañías ofrecen los mismos servicios a todos, los contribuyentes deben asegurarse de leer la descripción de la oferta antes de seleccionar una compañía. Una vez elegida la compañía Free File, los contribuyentes abandonarán **IRS.gov** y se dirigirán directamente al sitio de Internet de esa compañía para comenzar a preparar su declaración en línea.

A pesar de que Free File está disponible sólo para las declaraciones federales de impuestos sobre el ingreso, algunas compañías participantes de la Alianza Free File también ofrecen la preparación y presentación electrónica de declaraciones estatales de impuestos sobre el ingreso sin ningún costo. Esos servicios se encuentran listados en la sección Free File de los sitios de Internet de esas compañías.

Este año, sea uno más del creciente número de contribuyentes que preparan y presentan electrónicamente su declaración federal de impuestos. Y hágalo gratis. Visite **IRS.gov**/espanol para obtener más información sobre e-file y Free File.

*Nota: Se formulan estas preguntas a los contribuyentes como una forma de distribuir de manera uniforme, asegurar que el software cumpla con sus necesidades y asegurar que los contribuyentes se distribuyan equitativamente entre las diferentes compañías Free File.

e-file is Safe and Secure

Millions of taxpayers boot up their computers each tax filing season to file their taxes electronically. But many taxpayers still have concerns about filing these tax returns electronically.

The probability that your income tax data could be stolen when you e-file is extremely low. e-filing is actually more secure than mailing a tax return. An electronically filed return is encrypted and cannot be read as it moves between your computer or the online tax software you use and the IRS or state tax agency you submit the return to.

According to the Internal Revenue Service (IRS), the number of electronically filed tax returns surpassed a record in 2009 when 94 million tax returns, over 60% of all individual federal income tax returns, were e-filed. Sixty million of these returns came from tax professionals. More than 31 million taxpayers used software e-filing services from their home computers—up almost 20% compared to the prior year.

But just how secure is the IRS's *e-file* system? IRS *e-file* transmissions are **very secure** because the IRS is extremely diligent in the design, development, analysis and testing of its infrastructure and systems. Perhaps the most telling is that, as of Tax Year 2008, nearly 500 million tax returns have been filed electronically since 1986 with no transmissions broken into or compromised. In a nutshell, it is safe!

Yet, while there are a substantial number of taxpayers who use tax preparation software to prepare their return—a surprising number of these filers opt to print and mail their tax forms rather than using *e-file*.

The reality is that *e-file* eliminates most opportunities for mistakes and enables filers entitled to a tax refund to receive it faster. In fact, *e-file* increases taxpayers' control over their tax data because of security and safeguards in place.

This path of safety begins with you and specifically, your personal computer. There are several things you can do to maximize the security of your return:

1. First, make sure that you're on a secured computer. That is, you need to have current anti-virus and anti-spyware software installed and running. In addition, you want to make sure that you perform frequent virus scans and download any updates. You also need to install firewalls that protect your computer while on the Internet. Often, they are bundled with anti-virus and anti-spy-ware software. Ensuring your computer and applications are current with the latest security patches and updates from your computer's manufacturer and software vendors are also a critical step in ensuring your computer is secure.

2. Next, do not use shareware or peer-to-peer (P2P) software on any computer where you've stored personal, identifiable information, including tax returns, credit card numbers, bank information, social security numbers or other sensitive information. Peer-to-peer software includes programs where people share music files or videos across the Internet. Sometimes parents don't realize that their children are running these programs, so it's best to check before storing sensitive information. If you choose to run this type of software, make sure that the personal data is in an encrypted directory or one that the peer-to-peer community can't access.

3. When you're using an Internet Web site to transmit personal data, look for a "closed lock" icon on your screen, which is usually found in the lower right-hand corner. That shows you have a secured/encrypted link between you and the vendor. You should also see an "s" added to the end of "http" in the address line. If you don't see these security indicators, don't reveal or transmit your data.

4. Make sure that you use software programs and vendors approved by the IRS. A list is maintained at **IRS.gov** for your reference. As noted earlier, if you want to use Free File, a list of approved software companies who offer the program can also be found there.

Information for Small Businesses

e-file is Safe and Secure *(Continued)*

Facts on Security and Safety

Here are some facts you should know about the security and safety of *e-file*:

- *e-file* is not done over e-mail.

- *e-file* has many built-in security features and employs multiple firewalls.

- *e-file* uses state of the art virus detection.

- *e-file* meets or exceeds all government security standards and is tested for weaknesses by penetration testing.

- All Internet transmissions use data encryption.

For more information about the safety and security of *e-file*, go to **IRS.gov**.

Why Taxpayers Should e-file

There's good news this year when it comes to doing your taxes. Electronically preparing and filing your taxes is easier than ever in 2009. With new improvements and enhancements to *e-file* there is no need to send those long paper forms to the IRS anymore.

Benefits of e-filing

e-file is growing in popularity each year with 94 million tax returns submitted electronically in 2009. It offers so many more benefits than filing with a paper return:

- It's convenient. You can access your previous year's return and copy duplicate information, such as your address, to a new form.

- It's more accurate. e-filed returns are less prone to errors since the software catches many mistakes, reducing the likelihood of follow-up correspondence from the IRS.

- It's quick. Refunds come in half the time as paper filing in as little as 10 days when you use Direct Deposit.

- It's safe. Electronic transmissions to the IRS are secure, using dedicated lines with the latest encryption technology.

- It's reassuring. After you e-file your return, you'll get an electronic acknowledgement that the IRS received it, typically within 24 hours.

- It's accessible. You can e-file your return 24 hours a day, 7 days a week.

- It can be free. Many tax software providers no longer charge extra for electronically filing your tax return. Be sure to shop around and look into software product offers.

e-file for Free

Now that you know the benefits of e-filing, how would you like to do it for free? Electronically preparing and filing your taxes can be free if you go to **IRS.gov** and select Free File. Free File now offers two completely free options to electronically prepare and file your tax return.

If your adjusted gross income met the level in 2009, you are eligible to electronically prepare and file your taxes at **IRS.gov** for free with Free File. Free File is a partnership between the Internal Revenue Service and a group of industry-leading tax preparation companies called the Free File Alliance, LLC.

Free File offers all the benefits of *e-file*. It is safe, easy to use and available in English and Spanish. Go to **IRS.gov**, click on "Free File" and select a tax preparation company from the list. You'll be directed to the company's site to electronically prepare and e-file your return.

Or, if you don't qualify to use one of these products, Free File allows you to complete the basic IRS tax forms online and e-file your return, regardless of income.

This year, make tax season better by e-filing your tax return. And if you qualify for Free File, use it to save money. You'll help yourself, while enjoying its many benefits.

Electronic Tax Filing Helps Reduce Errors

In 2009, 94 million taxpayers electronically prepared and filed their tax returns using store-bought tax preparation software, online programs or through a tax professional.

The popularity of these electronic options is due to the underlying benefits of *e-file*. One of its greatest benefits is accuracy.

Accuracy begins with the preparation of tax returns. Typically, a taxpayer or tax preparer answers a series of questions from tax software that helps to fill in the tax form.

Many errors and omissions are caught at this stage. When this data entry process is completed, an electronic tax transmitter then converts the file into a format that meets IRS specifications and transmits it to the IRS. When the IRS receives the return, it performs its own error-checking—yet another stage of review.

If there are errors in the information submitted, the IRS will immediately send an error message to the transmitter, indicating the nature of the error on the return. By comparison, a paper return sent via mail is entered by hand. Even software-prepared paper returns need to be re-keyed for processing. Ironically, this process can occasionally introduce errors on the return, causing lengthy delays to resolve.

Thus, *e-file* saves a great deal of time and money for taxpayers and the IRS by permitting rapid resolution of these tax return problems prior to acceptance by the IRS.

Preparing and filing taxes electronically has quadrupled since *e-file* was introduced by the IRS in 1986. Then, only about 16% of taxpayers used the service. Today, 60% of taxpayers use *e-file* to prepare and file their tax returns. Increasingly, e-filing is gaining momentum as more taxpayers recognize it as the accurate and safe method of tax preparation with many other benefits.

Information for State Tax Administrators

IRS e-file

Three Easy Ways to Pay

When tax season rolls around, many taxpayers who owe taxes prepare, file and pay electronically. For those who owe the IRS, paying taxes in a timely manner saves the cost of late fees and penalties. Electronic tax payments are easier and more convenient than ever. Taxpayers can now electronically file their tax return any time **before April 15th** and defer paying any balance until April 15th. Taxpayers who e-file can also schedule up to four estimated e-payments for withdrawal from their account. Simply go to **IRS.gov** to find the scheduled dates for e-payments.

Here are the e-pay options IRS provides:

Electronic Funds Withdrawal

Taxpayers can schedule electronic funds withdrawal or direct debit with an electronically filed return. This option offers the convenience of *e-file* and e-pay in a single step. The IRS does charge a service fee for using this payment option. Taxpayers should also check with their financial institution about any fees it may charge. Taxpayers' bank account information is safeguarded along with other tax information, and payment information will not be disclosed for any reason other than for processing the transaction authorized by the taxpayer. For more information, **go to IRS.gov and click on e-pay**.

Electronic Debit and Credit Card Payments

Taxpayers can e-file and make a deferred payment by credit card or debit card. Taxpayers who use an ATM or debit card to pay are subject to a flat rate fee charged by the IRS. Those who opt to pay for their taxes with a credit card will incur a convenience fee charged by the credit card company. Payments can be made by phone, online or when e-filing. It's safe and secure. Standard commercial banking networks are used. The IRS does not receive or store card numbers.

Electronic Federal Tax Payment System

Taxpayers can also use a free system offered by the U.S. Department of the Treasury. The Electronic Federal Tax Payment System (EFTPS) is great for taxpayers who make more than one payment to the IRS. EFTPS allows taxpayers to make quarterly estimated tax payments and installment agreement payments; taxpayers get 16 months of payment history going forward and an acknowledgement of receipt of payment. For more information, or to enroll online, taxpayers should visit **www.eftps.gov**. Enrollment can take 7–10 days and taxpayers must be enrolled before they can make a payment using EFTPS. Taxpayers still have the option to e-file their taxes and pay the balance due in cash or by check to the IRS.

Paying taxes using EFTPS or any of the electronic payment options available is fast and secure. Use any of these three options to get the right payment to the IRS on time.

Information for State Tax Administrators

E-FILE

Introduction

Fact Sheets and FAQs

Information for Taxpayers

Information for Tax Professionals

Information for Small Businesses

Information for State Tax Administrators

➜ Three Easy Ways to Pay

➜ Direct Deposit

➜ Electronically Sign *e-file* Returns

➜ Free File—It's Easier than Ever

➜ Free File—It's Easier than Ever (Spanish)

➜ *e-file* is Safe and Secure

➜ *e-file* Benefits for Tax Professionals

➜ e-Services—Online Tools for Tax Professionals

➜ Modernized *e-file*

➜ Electronic Tax Filing Helps Reduce Errors

Other Materials

Direct Deposit

Taxpayers expecting a refund this year should consider using Direct Deposit. It can be used whether taxpayers prepare and electronically file their own taxes or have a tax professional do it.

Using Direct Deposit is a safe, efficient way to get a refund by having it deposited electronically into a bank account. Sixty-six million taxpayers chose to receive their refunds through Direct Deposit during 2008. That represents two-thirds of all refunds issued in the tax year.

If taxpayers use Free File, they can speed up their refund to as little as 10 days when they use Direct Deposit. Free File is a free online tax preparation and filing program for taxpayers who met the Adjusted Gross Income level in 2009. Free File is offered by the IRS and the Free File Alliance, LLC, a group of industry-leading tax preparation companies. Free File is fast, easy, accurate and safe, and is available only at **IRS.gov**.

To get a refund via Direct Deposit, taxpayers simply fill in the bank routing and account numbers under the "Refund" section of their income tax return form (1040 series). Payments can be divided and deposited in up to three different accounts, such as to a checking, savings or retirement account. If taxpayers choose to split their refund between more than one account, they'll need to fill out and include Form 8888 with the return and specify the amounts and account information for each allocation.

It makes sense to use Direct Deposit. It eliminates the chance of having a lost, stolen or undeliverable refund. Best of all, taxpayers get their refund in as little as 10 days. To learn more about Free File, visit **IRS.gov**.

38

Electronically Sign *e-file* Returns

Electronically preparing and filing your taxes is easier than ever. Taxpayers who electronically file their tax returns must self-select a five-digit Personal Identification Number (PIN) to sign their return. This is important to know if you have previously signed your *e-file* return by sending the IRS a paper form instead of creating a PIN. Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return*, and Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS Online e-file Return* (Spanish Version), have been eliminated as signature documents for individual taxpayers who use tax preparation software to prepare and e-file their returns. The electronic signature method allows taxpayers to use a PIN to sign their individual income tax return. They select five numbers (except all zeros) to enter as their electronic PIN signature. The taxpayer has the option to choose between two "shared secrets" for authentication. The self-select PIN signature method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) or the prior year PIN used to electronically sign their return. If a taxpayer enters both the prior year AGI and prior year PIN for authentication, only one shared secret must match IRS records.

If taxpayers do not know their AGI or PIN from last year, they can call **1-800-TAX-1040** to get the information they need. The process may require some additional effort on the part of the taxpayer, but it is designed to keep taxpayer information safe, secure and private. Those benefits, plus the quick refunds, low error rates, acknowledgement of receipt and other benefits of e-file make that effort worthwhile. For more information about the electronic signature process, visit **IRS.gov**.

Free File—It's Easier than Ever

New this year, Free File is improved and easier to use. Since its debut in 2003, more than 25 million eligible taxpayers have used Free File to electronically prepare and file their federal income tax returns without charge. Free File is a partnership between the Internal Revenue Service (IRS) and a group of industry-leading tax preparation companies called the Free File Alliance, LLC.

Benefits of Free File

Free File is available to taxpayers who met the Adjusted Gross Income (AGI) level in 2009. Seventy percent of all taxpayers qualify, at least 99 million taxpayers.

Free File has many benefits:

- It's free. It is the no-cost way to prepare and file federal taxes.

- It's more accurate. e-filed returns are less prone to errors since the software catches many mistakes and reduces the chance of follow-up correspondence from the IRS.

- It's quick. Filers receiving a refund will get it in as little as 10 days if they use Direct Deposit.

- It's convenient. Free File is available 24 hours a day, 7 days a week, beginning mid-January 2009.

- It's reassuring. Taxpayers will receive an email acknowledgement, typically within 24 hours of their return being transmitted to the IRS.

- It's available in both English and Spanish.

- New in 2009, all Free File companies will offer the most commonly filed tax forms and schedules.

- Also new in 2009, taxpayers prepare and submit their tax returns with electronic tax forms on **IRS.gov**. These forms are identical to the paper forms. Taxpayers simply fill in their tax data.

Free File Process

To access Free File, taxpayers must first go to the IRS website, **IRS.gov**, and click on "Free File." Once on the Free File home page there are simple instructions to help taxpayers find the company to best fit their needs.

At **IRS.gov**, taxpayers have two options: review a complete list of Free File companies and their offers or click on the "Guide Me to a Company" tool to help narrow down the list of companies that fit their needs. "Guide Me to a Company" is an interactive tool that asks a short list of questions and returns a list of companies that offer free tax preparation and electronic filing based on the specific answers to those questions.*

Because not all companies offer the same services to everyone, filers should be sure to read the offer description before selecting a company. Once a Free File company is selected, taxpayers will leave **IRS.gov** and go directly to that company's website to begin preparing their return online.

Although Free File is available only for federal income tax returns, some participating Free File Alliance companies also offer state tax return preparation and e-filing at no charge. Those services are noted in the Free File section of the companies' websites.

This year, join the growing number of taxpayers electronically preparing and filing their federal taxes. And do it for free. Visit **IRS.gov** for more information about *e-file* and Free File.

* **Note:** Taxpayers are asked these questions as a way to make sure the software meets their needs and to make sure filers are evenly distributed among the various Free File companies.

Free File—It's Easier than Ever (Spanish)

Free File: más fácil que nunca

A partir de este año, Free File ha mejorado y es más fácil de usar. Desde su lanzamiento en el año 2003, 25 millones de contribuyentes que cumplen con los requisitos han utilizado Free File para preparar y presentar electrónicamente las declaraciones federales de impuestos sobre los ingresos sin ningún costo. Free File es una sociedad entre el Servicio de Impuestos Internos (IRS, por sus siglas en inglés) y la Alianza Free File, LLC, un grupo de compañías líderes que preparan declaraciones de impuestos.

Beneficios de Free File

Free File se encuentra disponible para todos los contribuyentes que en 2008 tuvieron un Ingreso bruto ajustado (AGI, por sus siglas en inglés) de $56,000 al año o menos, lo que equivale al 70 por ciento de todos los contribuyentes, por lo menos 99 millones de contribuyentes.

Free File tiene una gran cantidad de beneficios:

- Es gratis. Es la forma sin costo para preparar y presentar la declaración de impuestos federales.

- Es más exacto. Las declaraciones presentadas electrónicamente tienen una menor probabilidad de error, ya que el software detecta muchos errores y reduce la posibilidad de recibir correspondencia de seguimiento del IRS.

- Es rápido. Los contribuyentes que reciben un reembolso, lo obtendrán en tan sólo 10 días si eligen depósito directo.

- Es conveniente. Free File está disponible las 24 horas del día, los siete días de la semana a partir de mediados de enero de 2009.

- Es reconfortante. Por lo general, los contribuyentes recibirán un acuse de recibo por correo electrónico dentro de las 24 horas posteriores a la transmisión de la declaración al IRS.

- También está disponible en inglés y en español.

- Como novedad en 2009, todas las compañías Free File ofrecerán los formularios y anexos de impuestos que se presentan para declaración con mayor frecuencia.

- También como novedad para 2009, los contribuyentes preparan y envían sus declaraciones de impuestos usando formularios interactivos en **IRS.gov**. Estos formularios son idénticos a los formularios impresos. Los contribuyentes simplemente completan su información tributaria y presionan "enviar" para enviar sus declaraciones electrónicas directamente al IRS.

Proceso de Free File

Para acceder a Free File, los contribuyentes primero deben ir al sitio de Internet del IRS, **IRS.gov**/espanol y hacer clic en "Presentación Free File". En la página de inicio de Free File, los contribuyentes podrán ver instrucciones simples que les ayudarán a encontrar la compañía que sea más adecuada para sus necesidades.

En **IRS.gov**, los contribuyentes tienen dos opciones: revisar una lista completa de compañías Free File y sus ofertas, o hacer clic en "Guíeme hacia una compañía" ("Guide Me to a Company", en inglés), herramienta que ayuda a reducir la lista de compañías que se adaptan a sus necesidades. "Guíeme hacia una compañía" es una herramienta interactiva que plantea una breve lista de preguntas y entrega una lista de compañías que ofrecen preparación y presentación de la declaración de impuestos electrónica gratis de acuerdo con las respuestas específicas a dichas preguntas.*

Dado que no todas las compañías ofrecen los mismos servicios a todos, los contribuyentes deben asegurarse de leer la descripción de la oferta antes de seleccionar una compañía. Una vez elegida la compañía Free File, los contribuyentes abandonarán **IRS.gov** y se dirigirán directamente al sitio de Internet de esa compañía para comenzar a preparar su declaración en línea.

A pesar de que Free File está disponible sólo para las declaraciones federales de impuestos sobre el ingreso, algunas compañías participantes de la Alianza Free File también ofrecen la preparación y presentación electrónica de declaraciones estatales de impuestos sobre el ingreso sin ningún costo. Esos servicios se encuentran listados en la sección Free File de los sitios de Internet de esas compañías.

Este año, sea uno más del creciente número de contribuyentes que preparan y presentan electrónicamente su declaración federal de impuestos. Y hágalo gratis. Visite **IRS.gov**/espanol para obtener más información sobre e-file y Free File.

*Nota: Se formulan estas preguntas a los contribuyentes como una forma de distribuir de manera uniforme, asegurar que el software cumpla con sus necesidades y asegurar que los contribuyentes se distribuyan equitativamente entre las diferentes compañías Free File.

e-file is Safe and Secure

Millions of taxpayers boot up their computers each tax filing season to file their taxes electronically. But many taxpayers still have concerns about filing these tax returns electronically.

The probability that your income tax data could be stolen when you e-file is extremely low. e-filing is actually more secure than mailing a tax return. An electronically filed return is encrypted and cannot be read as it moves between your computer or the online tax software you use and the IRS or state tax agency you submit the return to.

According to the Internal Revenue Service (IRS), the number of electronically filed tax returns surpassed a record in 2009 when 94 million tax returns, over 60% of all individual federal income tax returns, were e-filed. Sixty million of these returns came from tax professionals. More than 31 million taxpayers used software e-filing services from their home computers—up almost 20 % compared to the prior year.

But just how secure is the IRS's *e-file* system? IRS *e-file* transmissions are **very secure** because the IRS is extremely diligent in the design, development, analysis and testing of its infrastructure and systems. Perhaps the most telling is that, as of Tax Year 2008, nearly 500 million tax returns have been filed electronically since 1986 with no transmissions broken into or compromised. In a nutshell, it is safe!

Yet, while there are a substantial number of taxpayers who use tax preparation software to prepare their return—a surprising number of these filers opt to print and mail their tax forms rather than using e-file.

The reality is that *e-file* eliminates most opportunities for mistakes and enables filers entitled to a tax refund to receive it faster. In fact, *e-file* increases taxpayers' control over their tax data because of security and safeguards in place.

This path of safety begins with you and specifically, your personal computer. There are several things you can do to maximize the security of your return:

1. First, make sure that you're on a secured computer. That is, you need to have current anti-virus and anti-spyware software installed and running. In addition, you want to make sure that you perform frequent virus scans and download any updates. You also need to install firewalls that protect your computer while on the Internet. Often, they are bundled with anti-virus and anti-spy-ware software. Ensuring your computer and applications are current with the latest security patches and updates from your computer's manufacturer and software vendors are also a critical step in ensuring your computer is secure.

2. Next, do not use shareware or peer-to-peer (P2P) software on any computer where you've stored personal, identifiable information, including tax returns, credit card numbers, bank information, social security numbers or other sensitive information. Peer-to-peer software includes programs where people share music files or videos across the Internet. Sometimes parents don't realize that their children are running these programs, so it's best to check before storing sensitive information. If you choose to run this type of software, make sure that the personal data is in an encrypted directory or one that the peer-to-peer community can't access.

3. When you're using an Internet Web site to transmit personal data, look for a "closed lock" icon on your screen, which is usually found in the lower right-hand corner. That shows you have a secured/encrypted link between you and the vendor. You should also see an "s" added to the end of "http" in the address line. If you don't see these security indicators, don't reveal or transmit your data.

4. Make sure that you use software programs and vendors approved by the IRS. A list is maintained at **IRS.gov** for your reference. As noted earlier, if you want to use Free File, a list of approved software companies who offer the program can also be found there.

IRS *e-file*

e-file is Safe and Secure *(Continued)*

Facts on Security and Safety

Here are some facts you should know about the security and safety of *e-file*:

- *e-file* is not done over e-mail.
- *e-file* has many built-in security features and employs multiple firewalls.
- *e-file* uses state of the art virus detection.
- *e-file* meets or exceeds all government security standards and is tested for weaknesses by penetration testing.
- All Internet transmissions use data encryption.

For more information about the safety and security of *e-file*, go to **IRS.gov**.

e-file Benefits for Tax Professionals

Create Loyal, Satisfied Clients with *e-file*

e-file continues to grow in popularity each year with 94 million tax returns submitted electronically in 2009, a 20% increase over 2008. Sixty million of the tax returns were submitted electronically by tax professionals in 2009.

Benefits of *e-file*

Research shows that preparers who use **IRS** *e-file* are highly satisfied.

- **Proof of Receipt:** When tax professionals use *e-file*, clients receive proof within 24 hours that their tax return has been accepted by the IRS.

- **Accuracy:** Because e-filed returns are in the systems exactly how you prepared them, your clients are reassured that their taxes are done error-free without having data re-input by the IRS.

- **Up-front Validity Checks:** With *e-file*, mistakes are caught that otherwise wouldn't be detected until weeks, months, or even years later.

- **Quicker Refunds:** Clients will receive their refunds in as little as 10 days as long as they use Direct Deposit.

- **File Now. Pay Later:** If your clients owe money they can file now and defer payment until April 15th with several payment options.

e-file is Easier Than Ever

The IRS is making it easier for you to take care of your client's taxes electronically as *e-file* expands and improves each year.

Electronic Signature

All e-filed individual returns submitted by tax professionals must now be electronically signed using a Personal Identification Number (PIN). Tax professionals can choose from a Self-Select PIN or Practitioner PIN.

The Self-Select PIN allows taxpayers to electronically sign their e-filed return by using a five-digit PIN. Their prior year Adjusted Gross Income (AGI) or prior year PIN are used to verify their identity. When taxpayers enter their PINs directly into the electronic return, signature authorizations are not required. In all other instances, taxpayers must sign the Form 8879, **IRS** *e-file* Signature Authorization.

A Practitioner PIN is used when a taxpayer authorizes an Electronic Return Originator (ERO) to input an electronic signature on behalf of the taxpayer. A Practitioner PIN authorizes the ERO to generate or enter the taxpayer's PIN on an electronically filed return. This method requires the tax practitioner to use Form 8879, IRS *e-file* Signature Authorization. The form is retained by the ERO.

It is important for tax professionals to remember to make sure their EFIN is valid, approved and active when signing an individual taxpayer's returns.

Exception Processing

Each year, more than 10% of individual returns electronically filed to the IRS are rejected by IRS systems for a host of reasons, the most common is inconsistent Social Security Numbers. Exception processing allows tax professionals to send an imperfect return electronically for reject codes 501 and 504 only.

Join the growing number of tax professionals who have used *e-file* and say that it is well-worth it. *e-file* and e-pay can create loyal, satisfied customers.

e-Services—Online Tools Made Just for Tax Professionals

The IRS is making it easier for you to take care of your clients' taxes electronically.

Tax professionals and payers can now use the e-Services suite of web-based products to do business with the IRS electronically. These services are available 24 hours a day, 7 days a week from just about any computer with an Internet connection. Products are continually updated and new services are added regularly.

All tax professionals who are registered for e-Services are eligible to use the following products:

- **Registration:** All tax professionals who wish to use e-services products must register online as individuals to create an electronic account. The registration process is a one-time automated process where the user selects a username, password and PIN.

- **Preparer Tax Identification Number (PTIN):** As a paid tax professional, you may choose to use a PTIN, instead of your SSN, on returns that are prepared for clients.

- **Online *e-file* application:** A new *e-file* application process combines Form 9041 and Form 8633 into a new integrated Form 8633 available both online and via paper. Applications can be maintained and updated electronically, and a new delegation of authority feature allows principals or responsible officials of the firm/organization to delegate e-services to their employees. You can also use the application to review/revise and update information anytime.

Active participants in the **IRS** *e-file* program and those who e-file five or more accepted individual or business returns in a season are eligible to use several incentive e-Service products:

- **Disclosure Authorization:** You may complete authorization forms, view and modify existing forms and receive acknowledgement of accepted submissions—all online. The benefit is expedited processing and real-time acknowledgment of accepted submissions.

- **Electronic Account Resolution:** This product allows you to resolve account problems by electronically sending/receiving account-related inquiries.

- **Transcript Delivery System:** Tax professionals can request and receive account transcripts, wage and income documents, tax return transcripts and verification of non-filing letters.

Reporting Agents who are accepted participants in *e-file* will have access to Transcript Delivery System and Electronic Account Resolution.

e-file is expanding and improving each year. Tax professionals who have switched to *e-file* have said that it was worth the change. As the number of taxpayers who e-file grows, so does the need for tax professionals to use *e-file*. For more information about e-Services for tax professionals and all the benefits of using *e-file*, go to the IRS website at **IRS.gov**.

Modernized *e-file*—What Practitioners Need to Know

The Modernized *e-file* (MeF) system—which is currently very successfully processing electronically filed tax returns for corporations, partnerships, excise tax filers and exempt organizations—provides real-time processing of tax returns and extensions. In the next few years, it will be a replacement of the current IRS tax return filing technology, the current *e-file* system, which processes returns in several batches per day.

The IRS plans to roll out the MeF 1040 in phases. The first release of MeF 1040 will include Form 1040 for Tax Year 2009 and 21 forms and schedules that can be attached to the 1040, plus the Form 4868. The second phase will include TY 2010 for the same 23 forms, and the prior year TY 2009 (23 forms). Phase II will also include code optimization and the build-out of additional hardware. (Code optimization is the process of modifying a program or system so that it executes more efficiently and requires fewer resources.) The third phase will include all remaining electronically-filed 1040-related tax forms for TY 2011 (150+ forms), and prior years TY 2010 (23 forms) and TY 2009 (23 forms). Once MeF is fully implemented, the current *e-file* system will be phased out over an extended period of time.

In addition to improving processing turn-around times, MeF improves error detection, standardizes business rules and makes them easier to understand, expedites acknowledgements to transmitters, and allows users to attach PDF files if their tax software supports it. The forms that MeF currently supports include: Corporations (1120, 1120S, 1120-F), Exempt Organizations (990, 990EZ, 990PF, 1120 POL, 990-N, 990 Redesign), Partnerships (1065, 1065-B), Excise Tax (2290, 720, 8849), and Extensions (7004, 8868).

Advantages for Practitioners

MeF will deliver significant value and benefits to practitioners beyond the capabilities of the current *e-file* system.

1. More Explicit Error Conditions

Under the current 1040 *e-file* program, a single error code may apply to multiple types of *e-file* error conditions. With MeF, new error codes use simple wording to clarify each error that triggers a rejection, they pinpoint the location of the error in the return, and provide complete information in the Acknowledgement File.

2. Faster acknowledgements

MeF returns are processed as they are received instead of in batches, as with the current *e-file* system. As a result, a response time of about five minutes to the transmitter should be expected in non-peak periods. This will enhance customer service by allowing preparers to fix return issues in real time.

3. Improved processing

Form 1040 and any attachments will be submitted electronically to MeF in XML (E**X**tensible **M**arkup **L**anguage) format. This will allow for more effective use of data. MeF will also allow attachments in PDF to accommodate late legislation and form changes. Practitioners should check with their software provider to determine if PDF attachments are supported.

4. Amended and prior year returns

MeF will allow filing of prior year 1040 returns beginning in Processing Year 2011. As a new tax form type is added to the MeF platform, tax returns will be accepted for the current tax year only. As subsequent tax years are added to the system, MeF will accept the current tax year and two prior tax years. Amended returns are tentatively scheduled to be accepted in MeF in Processing Year 2012.

5. Year Round Filing

Returns filed through MeF can be submitted year-round.

Modernized *e-file* (Continued)

Impact on Practitioners

Modernized *e-file* will not change the way tax practitioners transmit *e-file* returns. Practitioners may not even know that the return was a MeF return, although a rapid acknowledgement may be sent by the transmitter and can be a giveaway. In most cases, the returns are sent to a transmitter who then sends the return to the IRS. Practitioners should discuss MeF with software development companies, especially when it comes to error codes, to ensure that their needs will be met by their products. As MeF is phased in, there will be some limitations for transmitters on how many returns can be sent to MeF versus the current *e-file* system. The IRS has no intention of requiring transmitters to use the MeF system during the initial transition.

Communications

Modernized *e-file* will offer clear advantages to practitioners. The IRS established the MeF 1040 website to keep practitioners updated on the status and changes with MeF 1040 including deployment dates and tax practitioner working group minutes. Practitioners can also email 1040MeF@irs.gov for additional information and help with 1040 MeF or sign up for Quick Alerts at **IRS.gov**.

Electronic Tax Filing Helps Reduce Errors

In 2009, 94 million taxpayers electronically prepared and filed their tax returns using store-bought tax preparation software, online programs or through a tax professional.

The popularity of these electronic options is due to the underlying benefits of *e-file*. One of its greatest benefits is accuracy.

Accuracy begins with the preparation of tax returns. Typically, a taxpayer or tax preparer answers a series of questions from tax software that helps to fill in the tax form.

Many errors and omissions are caught at this stage. When this data entry process is completed, an electronic tax transmitter then converts the file into a format that meets IRS specifications and transmits it to the IRS. When the IRS receives the return, it performs its own error-checking—yet another stage of review.

If there are errors in the information submitted, the IRS will immediately send an error message to the transmitter, indicating the nature of the error on the return. By comparison, a paper return sent via mail is entered by hand. Even software-prepared paper returns need to be re-keyed for processing. Ironically, this process can occasionally introduce errors on the return, causing lengthy delays to resolve.

Thus, *e-file* saves a great deal of time and money for taxpayers and the IRS by permitting rapid resolution of these tax return problems prior to acceptance by the IRS.

Preparing and filing taxes electronically has quadrupled since *e-file* was introduced by the IRS in 1986. Then, only about 16% of taxpayers used the service. Today, over 60% of taxpayers use *e-file* to prepare and file their tax returns. Increasingly, e-filing is gaining momentum as more taxpayers recognize it as the accurate and safe method of tax preparation with many other benefits.